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STATE DOCUMENTS

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ANNUAL REPORT
OF THE
STATE BOARD OF HAIL INSURANCE



TO THE
GOVERNOR OF MONTANA

HONORABLE FORREST H. ANDERSON

FOR THE
FISCAL YEAR ENDED

JUNE 30, 1970



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MAURICE W. SMITH
CHAIRMAN

State of Montana
BOARD OF HAIL INSURANCE
502 LAMBORN
HELENA, MONTANA

MEMBERS:

ADRIEN R. LONG, WOLF POINT
~~JAMES E. GUTHMENS, BILLINGS~~
 GEORGE T. LACKMAN, HELENA
 COMMISSIONER OF AGRICULTURE
 ALEX W. STEPHENSON, HELENA
 STATE TREASURER

The Honorable Forrest H. Anderson,
 Governor
 State of Montana
 Helena, Montana 59601

Dear Governor Anderson:

In accordance with the requirements of Section 82-4002 R.C.M. 1947, there is herewith transmitted to you the report of the State Board of Hail Insurance covering the fiscal year ending June 30, 1970, as adjusted to coincide with the growing season covered by hail insurance.

The premium volume for the year was \$748,659.26 and the losses for the season totaled \$296,766.84. The loss ratio in terms of dollars paid for claims was 40% as compared to the 53 year average of 76%. After all hail losses were paid in full a 36% refund of the 1969 levy was returned to each individual participating in the Hail Insurance Act.

Respectfully submitted,

Maurice W. Smith

Maurice W. Smith
 Chairman

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PRINCIPAL OFFICE AND OFFICERS

STATE BOARD OF HAIL INSURANCE

<u>OFFICER</u>	<u>TERM OF OFFICE</u>	<u>HOME ADDRESS</u>
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MAURICE W. SMITH, CHAIRMAN		2019 8th Ave.
1-6-69 - 4-28-71		Helena, Mt. 59601

ADRIEN R. LONG, MEMBER		
4-18-69 - 4-18-72		Wolf Point, Mt. 59201

JAMES W. STEPHENS, MEMBER		
4-18-70 - 4-18-72		Dutton, Mt. 59433

ALEX W. STEPHENSON, MEMBER		928 11th Ave.
Ex-Officio		Helena, Mt. 59601

GEORGE T. LACKMAN, MEMBER		2023 8th Ave.
Ex-Officio		Helena, Mt. 59601

PRINCIPAL OFFICE

502 Lamborn, Helena, Mt. 59601

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LEGAL REFERENCES

THE STATUTES RELATING TO THE OPERATIONS OF THE STATE BOARD OF HAIL
INSURANCE ARE CONTAINED IN SECTION 82-1501 THRU SECTION 18-1520,
R.C.M. 1947. THIS LAW WAS ENACTED BY THE 15TH LEGISLATIVE ASSEMBLY
IN 1917 AND CONTAINS THE LAW IN ITS PRESENT FORM WITH ALL AMENDMENTS
SINCE THAT TIME, INCLUDING THOSE MADE BY THE 37TH LEGISLATIVE
ASSEMBLY IN 1961.

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PRINCIPAL GOAL

THE GOAL OF THE STATE BOARD OF HAIL INSURANCE AT THE PRESENT TIME IS TO OFFER A LOW COST INSURANCE PROTECTION AGAINST LOSSES BY HAIL TO MONTANA GRAIN FARMERS.

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PROGRAM INVENTORY AND COST SUMMARY

ADMINISTRATION (HAIL INSURANCE) ----- \$820,013.00

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MAJOR ACCOMPLISHMENTS

THE MAJOR ACCOMPLISHMENT OF THE STATE BOARD OF HAIL INSURANCE WAS TO GIVE OUR GRAIN FARMERS PROTECTION AGAINST LOSS BY HAIL AT A LOW COST.

AN AMPLE REFUND HAS BEEN RETURNED TO THE FARMERS FOR THE LAST SEVERAL YEARS AFTER ALL THE LOSSES AND EXPENSES HAVE BEEN PAID. THE OPERATION OF THE HAIL INSURANCE PROGRAM HAS BROUGHT ABOUT MUCH BETTER CONDITIONS IN THE HAIL INSURANCE FIELD - MAINLY:

1. LOWER COSTS FOR HAIL INSURANCE.
2. BETTER HAIL INSURANCE CONTRACTS.
3. IMPROVED ADJUSTING METHODS.

OUR AGENCY HAS SHOWN A VERY SUBSTANTIAL INCREASE IN WRITING HAIL INSURANCE AND OUR RELATIONSHIP WITH THE INDEPENDENT HAIL INSURANCE COMPANIES HAS IMPROVED, GREATLY, THE LAST FEW YEARS.

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MAJOR RECOMMENDATIONS

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RECOMMENDATIONS

FIRE INSURANCE ON GRAIN BE PROVIDED TO GRAIN FARMERS.

DISCUSSION

ADDING FIRE INSURANCE TO OUR HAIL INSURANCE WITH NO INCREASE IN RATES WILL DEFINETLY GIVE THE FARMER AN ADDITIONAL BENEFIT.

MOST INDEPENDENT COMPANIES CARRYING HAIL INSURANCE HAVE THIS ADDED BENEFIT. THE COST OF THIS SERVICE WILL BE LIMITED TO THE AMOUNT OF FIRE LOSSES PAID.

IT HAS BEEN PROVEN BY THE MANY YEARS THE STATE HAS CARRIED HAIL INSURANCE THAT THIS PROGRAM HAS BEEN BENEFICIAL TO THE STATE BOARD AS WELL AS THE FARMER. WE BELIEVE THAT THE FIRE INSURANCE SUPPLEMENT RECOMMENDED WOULD BE SIMILIARLY BENEFICIAL.

ANALYSIS OF PROGRAM

ADMINISTRATION

SERVICES PROVIDED. HAIL INSURANCE AT A MINIMUM COST TO ALL GRAIN FARMERS. ANY FARMER WHO APPLIES TO HIS COUNTY ASSESSOR FOR HAIL INSURANCE WITH THE STATE HAIL FUND AND WHO MEETS THE REQUIREMENTS OF NOT HAVING MORE THAN ONE YEAR'S DELINQUENT PREMIUM AGAINST HIS REAL ESTATE IS ISSUED A POLICY. THIS RESULTS SOMETIMES IN A VERY HIGH LIABILITY IN CERTAIN AREAS WHICH GREATLY INCREASES THE RISK ASSUMED BY THIS BOARD AND MAKES AN AMPLE RESERVE FUND VITALLY NECESSARY TO PAY ALL LOSSES IN FULL.

THE RESERVE FUND OF \$1,200,000.00 WHICH IS INVESTED IN SHORT TERM GOVERNMENT SECURITIES WAS BUILT UP ENTIRELY FROM THE SURPLUS IN ANNUAL PREMIUMS PAID VOLUNTARILY BY MONTANA GRAIN GROWERS.

AT THE END OF THE SEASON LOSS CLAIMS ARE PAID IN FULL. ONE PER CENT OF THE GROSS LEVIES COLLECTED IS PAID ANNUALLY TO THE VARIOUS COUNTY ASSESSORS TO COVER THEIR EXPENSES IN COLLECTING THE LEVY FOR THE STATE. TWO PERCENT OF THE GROSS ANNUAL LEVIES COLLECTED IS TRANSFERRED TO THE GENERAL FUND, ANNUALLY. ANY SURPLUS FUND IS RETURNED TO EACH POLICY HOLDER ON A PERCENTAGE BASIS. NO GENERAL FUND MONEY IS INVOLVED IN FINANCING THIS PROGRAM.

OBJECTIVE. OUR OBJECTIVE IS TO GIVE OUR FARMERS THE BEST SERVICE POSSIBLE BY HAVING THEIR LOSSES ADJUSTED PROMPTLY BY COMPETENT ADJUSTERS AND PAYING PROVEN LOSSES IN FULL.

TARGET GROUP. OUR SPECIFIC TARGET GROUP IS THE GRAIN FARMERS OF MONTANA.

ANALYSIS OF PROGRAM (cont)

ACHIEVEMENTS.

OUR SUCCESS DEPENDS ON A SATISFIED POLICY HOLDER. THIS HAS BEEN ACHIEVED BY OUR PAST SERVICES AND PROVEN BY A STEADY GROWTH OF BUSINESS. RELATIONSHIP TO THE INDEPENDENT HAIL INSURANCE COMPANIES HAS BEEN GREATLY IMPROVED. THEIR COOPERATION IS BENEFICIAL TO A SATISFACTORY LOSS ADJUSTMENT.

IN THE FIFTY-THREE YEARS OF EXISTENCE THIS AGENCY HAS BEEN SELF SUPPORTING.
COST AND PERFORMANCE SUMMARY. THE FOLLOWING DATA ARE PRESENTED IN SUMMARY FORM. ADDITIONAL SUPPORTING DATA ARE AVAILABLE UPON REQUEST.

..... FISCAL YEARS

	HISTORIC 1968-69	CURRENT 1969-70	PROJECTED 1970-71
COST	\$756,655.	\$820,013.	\$698,814.

PERFORMANCE

LOSSES PAID	483	467	490
POLICIES SOLD	2,911	2,657	3,200

PROGRAM COSTS BY OBJECT OF
EXPENDITURE AND SOURCE OF FUNDING
1969-70 FISCAL YEAR

PROGRAM

OBJECT OF EXPENDITURE

PERSONAL SERVICE	\$ 30,712.
OPERATIONS	20,207.
CAPITAL	23.
GRANTS & BENEFITS	<u>769,071.</u>
TOTAL EXPENDED.....	\$ 820,013

SOURCE OF FUNDING

HAIL INSURANCE ACCOUNT	\$769,071.
HAIL INSURANCE ADMINISTRATION ACCOUNT	<u>50,942.</u>
TOTAL FUNDING	\$820,013

APPENDIX

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CONDENSED REPORT OF THE 1970 OPERATION
OF THE STATE HAIL INSURANCE DEPARTMENT.

THE APPENDIXED MATERIAL WILL BE DISTRIBUTED IN PAMPHLET FORM AS
PROVIDED BY STATUE.

BUSINESS SUMMARY FOR 1970

Total Risk Written	\$ 8,422,973.51
Premium Charge	748,659.26
Losses Paid	296,766.84
Policies Issued	2,657
Acres Insured	767,967.3
Average Acres Insured Per Policy.....	289
Acres Reported Damaged	74,193.5
Losses Filed	467
Days with Hail	51
Loss Ratio	40 %
Average Rate Charged	8.9%

INVESTMENTS AND EARNINGS OF THE HAIL INSURANCE FUND

AMOUNT	INTEREST RATE	MATURITY DATE	INTEREST RECEIVED
\$ 450,000.00 FLB Bonds	5-3/8 %	July 20, 1976	\$ 24,187.50
400,000.00 FLB Bonds	6. %	Oct. 20, 1971	24,800.00
<u>350,000.00</u> FLB Bonds	<u>6.</u> %	<u>Oct. 20, 1971</u>	<u>20,139.58</u>
\$ 1,200,000.00			\$ 69,127.08

APPENDIX

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TOTAL RISK BY KINDS OF GRAIN 1970

Winter Wheat	\$ 3,627,520.20
Spring Wheat	2,726,165.00
Oats	382,870.00
Flax	44,570.00
Barley	1,584,589.51
Rye	1,090.00
Beans	6,756.00
Speltz	4,696.80
Safflower	20,016.00
Beets	2,000.00
Corn	2,528.00
Canary Seed	5,160.00
Alfalfa Seed	4,140.00
Grass Hay	4,392.00
Wheat Grass	<u>6,480.00</u>
	\$ 8,422,973.51

TOTAL ACRES INSURED 1970

Safflower	1,686.0
Winter Wheat.....	319,937.9
Spring Wheat	241,427.9
Oats	33,637.0
Flax	3,982.0
Barley	164,784.1
Rye	109.0
Beans	361.0
Speltz	376.4
Beets	40.0
Corn	215.0
Canary Seed.....	430.0
Alfalfa Seed	345.0
Grass Hay	366.0
Wheat Grass	<u>270.0</u>
	767,967.3

LOSSES BY KIND OF GRAIN

Winter Wheat	\$ 135,093.73
Spring Wheat	83,508.83
Oats	10,752.76
Barley	66,180.85
Beans	505.44
Corn	128.60
Flax	50.31
Speltz	<u>546.32</u>
	\$ 296,766.84

APPENDIX

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HAIL STORMS FOR 1970

THE FIRST REPORTED LOSS WAS FROM BIG HORN COUNTY, MAY 5TH AND THE LAST REPORTED LOSSES ON SEPTEMBER 1ST FROM TETON, CHOUTEAU, FERGUS, PONDERA AND RICHLAND COUNTIES. THE MONTH WITH THE MOST DAYS OF HAIL WAS JULY WITH 18.

ADJUSTMENT OF LOSSES

WITH 467 HAIL LOSSES REPORTED, ALL WERE SETTLED SATISFACTORILY. WE WOULD LIKE TO EXPRESS OUR APPRECIATION TO THE ADJUSTERS FOR THEIR SUCCESS AND TO THANK THE PARTICIPATING COUNTY TREASURERS AND ASSESSORS FOR THEIR EFFORTS AND COOPERATION IN WRITING HAIL INSURANCE AND ASSISTANCE TO OUR MANY POLICY HOLDERS.

THIS REPORT IS SUBJECT TO MINOR CHANGES, THE FINAL DATA WILL NOT VARY TO ANY APPRECIABLE DEGREE. THE "ANNUAL REPORT TO THE GRAIN GROWERS" WILL CONTAIN THE INFORMATION INCLUDED IN THIS CORRESPONDENCE AND WILL BE DISSEMINATED TO THE FARMERS AND RANCHERS THROUGHOUT MONTANA.

PAYMENTS TO COUNTIES AND STATE - 1970

SECTION 82-1511 R.C.M. 1947, PROVIDES PAYMENT OF 1% OF GROSS ANNUAL LEVIES COLLECTED IN INDIVIDUAL COUNTIES TO BE MADE TO THE COUNTY TREASURER AND 2% TO THE STATE TREASURER. APPROXIMATE PAYMENTS OF \$7,486.59 WILL BE PRO RATED TO THE VARIOUS COUNTIES PARTICIPATING IN THE HAIL INSURANCE ACT. PAYMENTS TO THE STATE TREASURER ARE ANTICIPATED AT \$14,973.18.

53 YEAR SUMMARY

TOTAL RISK WRITTEN	\$ 216,777,156.47
PREMIUM CHARGE	17,801.081.96
LOSSES PAID	13,490,591.25
POLICIES ISSUED	98,318.
TOTAL ACRES INSURED	20,423,480.
AVERAGE ACRES PER POLICY	207.72
LOSS RATIO	76 %
NUMBER OF LOSSES PAID	20,812.

APPENDIX

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DETAIL STATEMENT - RISK, LEVY, LOSSES, LOSS RATIOS

COUNTY	<u>1970 RISK</u>	<u>1970 LEVY</u>	<u>1970 LOSSES</u>	<u>RISK VS. LOSS RATIO</u>	<u>LEVY - LOSS RATIO</u>
Big Horn	\$ 283,212.00	\$ 29,907.79	\$ 22,354.89	8	75.
Blaine	294,053.00	30,820.22			
Carter	22,772.00	2,297.23	257.40	1	11
Cascade	34,751.00	2,458.13	4,236.00	12	172
Chouteau	738,940.46	54,901.51	34,195.12	5	62
Daniels	312,554.00	24,997.77	20,840.82	7	83
Dawson	284,272.40	28,616.80	18,928.95	7	66
Fallon	277,759.95	27,933.64	22,465.11	9	80
Fergus	385,118.88	35,407.75	35,029.12	9	99
Gallatin	2,200.00	190.08	176.80	8	93
Garfield	130,704.30	12,044.49	16,049.31	12	132
Glacier	123,833.00	7,948.35			
Golden Valley	38,026.00	3,848.58	405.48	1	10
Hill	494,031.00	40,560.85	21,233.95	4	52
Judith Basin	332,963.00	30,503.89	649.66		2
Lewis & Clark	1,031.00	66.92			
Liberty	710,174.48	59,916.72	19,129.72	3	31
McCone	1,004,509.00	101,354.21	20,032.97		20
Musselshell	6,732.00	797.40			
Petroleum	2,220.00	177.60	1,735.20	78	
Phillips	183,574.00	15,508.24	626.88		4
Pondera	165,948.00	11,099.95	849.68		7
Powder River	119,403.00	12,014.41	168.48		1
Prairie	152,970.50	15,286.33	17,253.19	11	112
Richland	561,258.05	57,157.16	1,444.65		2
Roosevelt	196,958.00	15,788.70			
Sheridan	503,090.00	40,106.67	8,166.95	1	20
Stillwater	43,068.00	3,861.21			
Teton	347,282.60	22,020.11	17,017.47	5	77
Toole	401,093.50	34,071.80	6,991.72	4	21
Treasure	6,476.00	675.34			
Valley	217,682.49	22,023.66	4,512.79	2	20
Wheatland	4,560.00	468.00			
Wibaux	18,374.00	1,655.69	709.40	3	43
Yellowstone	21,377.90	2,172.06	1,305.13	6	60
	\$ 8,422,973.51	\$ 748,659.26	\$ 296,766.84	3.5%	40%

